

Message Text

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ORIGIN EB-07

INFO OCT-01 EA-06 ISO-00 AGR-05 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 RSC-01 SP-02 STR-01 TRSE-00 CIEP-01

FRB-01 OMB-01 L-02 SSO-00 NSCE-00 SS-15 NSC-05 INRE-00

/059 R

DRAFTED BY EB/FTD:MBSMITH:BB

APPROVED BY EB/FTD:MBSMITH

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TO AMEMBASSY SEOUL IMMEDIATE

INFO AMEMBASSY TAIPEI IMMEDIATE

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E.O. 11652:N/A

TAGS:ETRD, KS

SUBJ: USG/ROKG MEMORANDUM OF UNDERSTANDING - TEXTILES

REF: SEOUL 00307 AND PREVIOUS

SEOUL FOR ADLER AND MCCONVILLE: TAIPEI FOR JURICH

1. REFTEL MOST WELCOME AS IT SEEMS TO POINT OUT WHAT IS
BASIC MISUNDERSTANDING BETWEEN ROKG AND USG ON ENTIRE SUITS
ISSUE. ROKG IS CORRECT IN ASSUMING THAT WITHIN CATEGORY
224/THERE ARE BREAKDOWNS BETWEEN MEN'S AND BOY'S SUITS
(224(2)). IT IS IMPORTANT, HOWEVER, FOR ROKG TO UNDERSTAND
THAT THIS MEANS THAT BOTH 224 (1) AND 224 (2) OF HONG KONG
BILATERAL ARE SPECIFIC LIMITS. WITH KOREA WE ARE PROPOSING
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A DIFFERENT SCHEME IN WHICH 224 (1) HAS A SPECIFIC CEILING

(SIMILAR TO HONG KONG) BUT WITH NO RPT NO 224 (2) SPECIFIC LIMIT. RATHER, 224 (2) IN THE ROKG MEMORANDUM OF UNDERSTANDING IS PART OF 224 (OTHER) WHICH IS A CONSULTATION LEVEL. THAT CONSULTATION LEVEL HAS NOT YET BEEN SET. GAREL GAVE JURICH PAPER ENTITLED CATEGORY 224 KOREA HIGH PROVIDES OPTION ON SETTING THAT CONSULTATION LEVEL DEPENDING ON WHETHER ROKG ACCEPTS OUR POSITION ON 224 (1).

2. IN BRIEF, 224 (OTHER) OF WHICH 224 (2) WOULD BE A PART COULD RANGE FROM 22.4 MSYE (IF ROKG DOES NOT ACCEPT 412 087 UNITS FOR 224(1)) TO 34.7 MYSE IF ROKG ACCEPTS US POSITION.

IN ANY EVENT, ROKG EXPORTS OF 224 (2) WOULD BE SUBJECT ONLY RPT ONLY TO THE 224 (OTHER) CONSULTATION LEVEL AND WOULD HAVE COMPLETE FLEXIBILITY WITHIN THAT LARGE LEVEL.

3. WE BELIEVE THAT ROKG HAD RAISED A SOMEWHAT PHONY ISSUE IN COMPARING HONG KONG'S SEPARATED CEILINGS FOR 224 (1) AND (2), INASMUCH AS KOREA EXPORTS NEGLIGIBLE AMOUNTS OF 224 (2). FOR FIRST ELEVEN MONTHS OF 1974, FOR EXAMPLE, ROKG EXPORTED 577 DOZEN, AND TO OUR KNOWLEDGE ROKG HAS NEVER EXPORTED SIGNIFICANT QUANTITIES OF THIS PRODUCT. NONETHELESS, IF ROKG IS DISTURBED ABOUT THE SEPARATED CEILINGS FOR 224 (1) AND (2) IN THE HONG KONG BILATERAL, YOU MAY WISH TO POINT OUT THAT;

A. HONG KONG'S TWO CEILINGS ARE BOTH SPECIFIC LIMITS AND THEREFORE BOTH LIMITED IN FLEXIBILITY

B. ROKG, ON OTHER HAND, UNDER US PROPOSAL HAS ONE SPECIFIC CEILING FOR 224 (1) AND ONLY A CONSULTATION LEVEL FOR ALL RPT ALL OF 224 (OTHER), INCLUDING 224 (2). THIS IS A DECIDED ADVANTAGE FOR ROKG BOTH IN TERMS OF TOTAL YARDAGE, NO MATTER WHAT THE FINAL CONSULTATION LEVEL IS, AND IN TERMS OF MARKET FLEXIBILITY.

C. IF ROKG REALLY INSISTS, WE WOULD BE WILLING ESTABLISH SPECIFIC LIMIT FOR 224 (2), BUT SUCH A CEILING WOULD NATURALLY APPROXIMATE HISTORICAL TRADE AND CONSEQUENTLY DEPRIVE THEM OF THE VERY GREAT FLEXIBILITY THEY WOULD HAVE UNDER US PROPOSAL.

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4. IN SUM, HONG KONG BILATERAL RESTRICTS HONG KONG EXPORTS OF 224 (2) TO 3,314,438 UNITS AND EXPORTS OF 224 (1) TO 593,563 UNITS, EACH UNDER SPECIFIC LIMITS. UNDER US PROPOSAL, ROKG WOULD HAVE A 224 (1) LIMIT OF 412 088 UNITS AND ANYTHING FROM ZERO TO THE TOTAL CONSULTATION LEVEL OF 224 (OTHER) FOR 224 (2) DEPENDING ON HOW ROKG WISHES TO CUT THE 224 (OTHER) PIE. THIS IS A GOOD DEAL FOR KOREA, AND WE WOULD BE VERY SURPRISED IF THEY TURNED IT DOWN AND TOOK

OPTION LISTED IN PARA 3 (C) ABOVE. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXTILES, DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 16 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE010853
Document Source: CORE
Document Unique ID: 00
Drafter: MBSMITH:BB
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750017-0659
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750145/aaaabnow.tel
Line Count: 116
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 SEOUL 00307
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 11 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 JUL 2003 by CunninFX>; APPROVED <14 NOV 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: USG/ROKG MEMORANDUM OF UNDERSTANDING - TEXTILES
TAGS: ETRD, KS
To: SEOUL
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006